



**Congressional
Research Service**

Informing the legislative debate since 1914

Defense Acquisitions: How and Where DOD Spends Its Contracting Dollars

Moshe Schwartz

Specialist in Defense Acquisition

Wendy Ginsberg

Analyst in American National Government

John F. Sargent Jr.

Specialist in Science and Technology Policy

April 30, 2015

Congressional Research Service

7-5700

www.crs.gov

R44010

CRS REPORT

Prepared for Members and
Committees of Congress

Report Documentation Page			Form Approved OMB No. 0704-0188	
<p>Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>				
1. REPORT DATE 30 APR 2015	2. REPORT TYPE	3. DATES COVERED 00-00-2015 to 00-00-2015		
4. TITLE AND SUBTITLE Defense Acquisitions: How and Where DOD Spends Its Contracting Dollars			5a. CONTRACT NUMBER	
			5b. GRANT NUMBER	
			5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)			5d. PROJECT NUMBER	
			5e. TASK NUMBER	
			5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service,The Library of Congress,101 Independence Ave, SE,Washington,DC,20540			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)	
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES				
14. ABSTRACT				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF: a. REPORT b. ABSTRACT c. THIS PAGE unclassified unclassified unclassified			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 32
				19a. NAME OF RESPONSIBLE PERSON

Summary

The Department of Defense (DOD) has long relied on contractors to provide the U.S. military with a wide range of goods and services, including weapons, food, uniforms, and operational support. Without contractor support, the United States would be currently unable to arm and field an effective fighting force. Understanding costs and trends associated with contractor support could provide Congress more information upon which to make budget decisions and weigh the relative costs and benefits of different military operations—including contingency operations and maintaining bases around the world.

Obligations occur when agencies enter into contracts, employ personnel, or otherwise commit to spending money. The federal government tracks money obligated on federal contracts through a database called the Federal Procurement Data System-Next Generation (FPDS). There is no public database that tracks DOD contract outlays (money spent) as comprehensively as obligations.

Total DOD Contract Obligations

In FY2014, DOD obligated more money on federal contracts (\$285 billion) than all other government agencies combined. DOD's obligations were equal to 8% of federal spending. Services accounted for 45% of total DOD contract obligations, 45% for goods, and 10% for research and development (R&D). This distribution is in contrast to the rest of the federal government, which obligated a significantly larger portion of contracting dollars on services (68%), than on goods (22%) or research and development (9%).

According to FPDS data, from FY2000 to FY2014, DOD contract obligations increased from \$190 to \$290 billion (FY2015 dollars). However, the increase in spending has not been steady. DOD contract obligations over the last 15 years are marked by a steep increase of \$260 billion from FY2000-2008 (averaging 11% annual increases), followed by a substantial drop of \$160 billion (averaging 7% annual decreases) from FY2008-2014. This boom-and-bust trend of DOD contract obligations, which makes budget cutting more difficult due to relatively large budget swings, is in marked contrast to the rest of the federal government, which has had more gradual increases and less drastic contract spending cuts.

For almost 20 years, DOD has dedicated an ever-smaller share of its contracting dollars to R&D, with such contracts dropping from 18% of total contract obligations in FY1998 to 10% in FY2014.

Understanding the Limitation of FPDS Data

Decision-makers should be cautious when using obligation data from FPDS to develop policy or otherwise draw conclusions. In some cases, the data itself may not be reliable. For example, according to DOD officials, the data in FPDS over-represents FY2008 obligations by \$13 billion and under-represents FY2009 obligations by the same amount. Depending on the query, understanding and pulling reports from FPDS can be confusing and difficult to interpret. In some instances, a query for particular data may return differing results, depending on the type of query used.

Despite the limitations of FPDS, imperfect data is sometimes better than no data. A number of foreign observers have noted that despite its shortcomings, FPDS data is substantially better than

what is available in virtually any other country in the world. FPDS data can be used to identify some broad trends and rough estimations, or to gather information about specific contracts. Understanding the limitations of data—knowing when, how, and to what extent to rely on data—could help policymakers incorporate FPDS data more effectively into their decision-making process.

GSA is undertaking a multi-year effort to improve the reliability and usefulness of the information contained in FPDS and other federal government information systems. This effort, if successful, could significantly improve DOD's ability to engage in evidence- and data-based decision-making.

This report examines (1) how much money DOD obligates on contracts, (2) what DOD is buying, and (3) where that money is being spent. This report also examines the extent to which these data are sufficiently reliable to use as a factor when developing policy or analyzing government operations.

Contents

Introduction.....	1
DOD Contract Obligations	1
What DOD Is Buying	6
Total DOD Spending on Research, Development, Test, and Evaluation (RDT&E)	8
The Global Environment for R&D.....	9
Where DOD Obligates Contract Dollars	11
By Geographic Region	12
Domestic vs. Overseas	13
DOD Overseas Obligations vs. Rest of Government	15
How Reliable Are the DOD Data on Contract Obligations?	16
Data Reliability Concerns Persist.....	17
GSA Efforts to Improve FPDS.....	20

Figures

Figure 1. Contract Obligations by Agency	3
Figure 2. DOD Contract Obligations.....	4
Figure 3. DOD – Total Obligation Authority.....	4
Figure 4. DOD vs. Rest of Government Contract Obligations	6
Figure 5. DOD Contract Obligations by Major Category.....	7
Figure 6. DOD Contract Obligations Dedicated to R&D	7
Figure 7. DOD RDT&E vs. Non-RDT&E Outlays	8
Figure 8. Comparison of R&D Spending 1960-2012	9
Figure 9. Federal and U.S. Expenditures	9
Figure 10. Growth in Gross Expenditures on R&D for Selected Nations Since 2000	10
Figure 11. Percentage of DOD Contract Obligations Performed in the United States	13
Figure 12. Contract Obligations in Iraq and Afghanistan Theaters	14
Figure 13. DOD Contract Obligations for Work Performed in Combatant Command Areas of Responsibility.....	14
Figure 14. DOD’s Proportion of Total U.S. Government Contract Work Performed Overseas.....	15
Figure 15. Discrepancy in Different Methods for Calculating Total Contracts Obligations	19
Figure B-1. Change in DOD Contract Obligations by PSC Code (FY2008-FY2014)	24

Tables

Table 1. Total 2012 Gross Expenditures on R&D, by Nation.....	11
Table 2. Obligations for Contracts Performed Overseas.....	15

Table C-1. Top 12 Foreign Countries, by Place of Performance	27
--	----

Appendices

Appendix A. The Federal Procurement Data System	21
Appendix B. Obligations Trends by PSC Code.....	23
Appendix C. Top 12 Countries Where DOD Obligates Contracting Dollars	27

Contacts

Author Contact Information.....	27
---------------------------------	----

Introduction

The Department of Defense (DOD) has long relied on contractors to provide the U.S. military with a wide range of goods and services, including weapons, food, uniforms, and operational support. Without contractor support, the United States would currently be unable to arm and field an effective fighting force. Understanding costs and trends associated with contractor support could provide Congress more information upon which to make budget decisions and weigh the relative costs and benefits of different military operations—including contingency operations and maintaining bases around the world.

This report examines (1) how much money DOD obligates on contracts, (2) what DOD is buying, and (3) where that money is being spent. This report also examines the extent to which these data are sufficiently reliable to use as a factor when developing policy or analyzing government operations.

Related CRS reports include CRS Report R43788, *Defense: FY2015 Authorization and Appropriations*, by Pat Towell; CRS Report R43566, *Defense Acquisition Reform: Background, Analysis, and Issues for Congress*, by Moshe Schwartz, and CRS Report R43074, *Department of Defense's Use of Contractors to Support Military Operations: Background, Analysis, and Issues for Congress*, by Moshe Schwartz.

DOD Contract Obligations

When Congress appropriates money, it provides *budget authority*—the authority to enter into obligations. *Obligations* occur when agencies enter into contracts, submit purchase orders, employ personnel, or otherwise legally commit to spending money. *Outlays* occur when obligations are liquidated (primarily through the issuance of checks, electronic fund transfers, or the disbursement of cash).¹

¹ CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by Bill Heniff Jr., p. 2. The Government Accountability Office (GAO) defines an obligation as “a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another.” U.S. Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, September 1, 2005.

How Are Government Contract Data Tracked?

The Federal Procurement Data System—Next Generation (FPDS) is a central database of U.S. government-wide procurement. The purpose of FPDS is to provide data that can be used as “a basis for recurring and special reports to the President, the Congress, the Government Accountability Office, Federal executive agencies, and the general public.”² The contract data in this report come from the FPDS database.

FPDS generally reports information on contracts that exceed \$3,000 in obligations.³ FPDS-NG does not include data from judicial branch agencies, the legislative branch, certain DOD components, or select executive branch agencies—such as the Central Intelligence Agency and National Security Agency.⁴ FPDS lists data from GAO.⁵ Unless otherwise indicated, all data in this report is derived from FPDS.

Due to concerns over data reliability (see below), data from FPDS are used in this report to identify broad trends and rough estimations. FPDS contains data from 1978 to the present. For a more detailed discussion on how FPDS operates, see **Appendix A**.

In FY2014, the U.S. federal government obligated \$445 billion for contracts for the acquisition of goods, services, and research and development. The \$445 billion obligated on contracts was equal to approximately 13% of FY2014 federal budget outlays of \$3.5 trillion.⁶ As noted in **Figure 1**, in FY2014, DOD obligated more money on federal contracts (\$284 billion) than all other federal agencies combined. DOD’s obligations were equal to 8% of federal spending.

² Federal Acquisition Regulation 4.602.

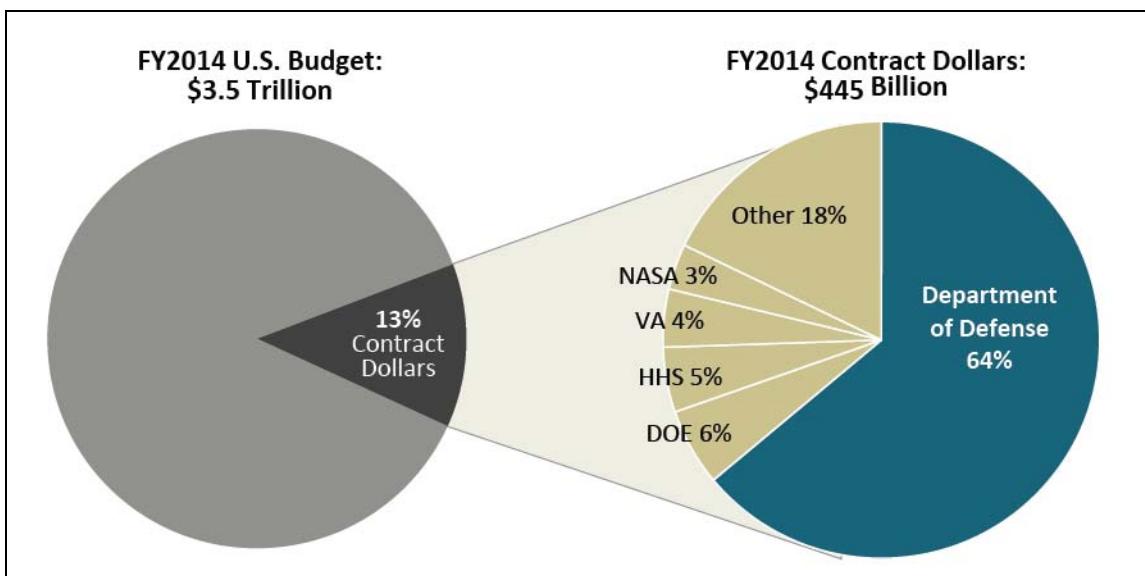
³ U.S. General Services Administration, “FPDS-NG FAQ,” at https://www.fpds.gov/wiki/index2.php/FPDS-NG_FAQ.

⁴ U.S. Government Accountability Office, *Defense Contracting: Improved Policies and Tools Could Help Increase Competition on DOD’s National Security Exception Procurements*, GAO-12-263, January 2012, p. 11, at <http://www.gao.gov/assets/590/587681.pdf>. Based also on CRS review of data found in FPDS-NG.

⁵ FPDS-NG lists the General Accounting Office, which in 2004 was renamed the Government Accountability Office.

⁶ Office of Management and Budget, *Budget of the U.S. Government*, Fiscal Year 2016, Table S-1 Budget Totals, p. 91. Budget data based on outlays. Given the significant difference between outlays and obligations, this comparison is only intended to illustrate a rough magnitude of contract obligations within the context of overall federal government spending. Another method to quantify contracting as a percentage of government spending would be to compare contract obligations to the \$3.614 trillion Total Obligations Incurred (offsetting collections and receipts) for all branches, as found in Office of Management and Budget, *Fiscal Year 2016 Object Class Analysis: Budget of the U.S. Government*, Fiscal Year 2016, Table 3-Bridge From Gross to Net Obligations, p. 83. This alternate method would not appreciably alter the results provided in this report.

Figure 1. Contract Obligations by Agency



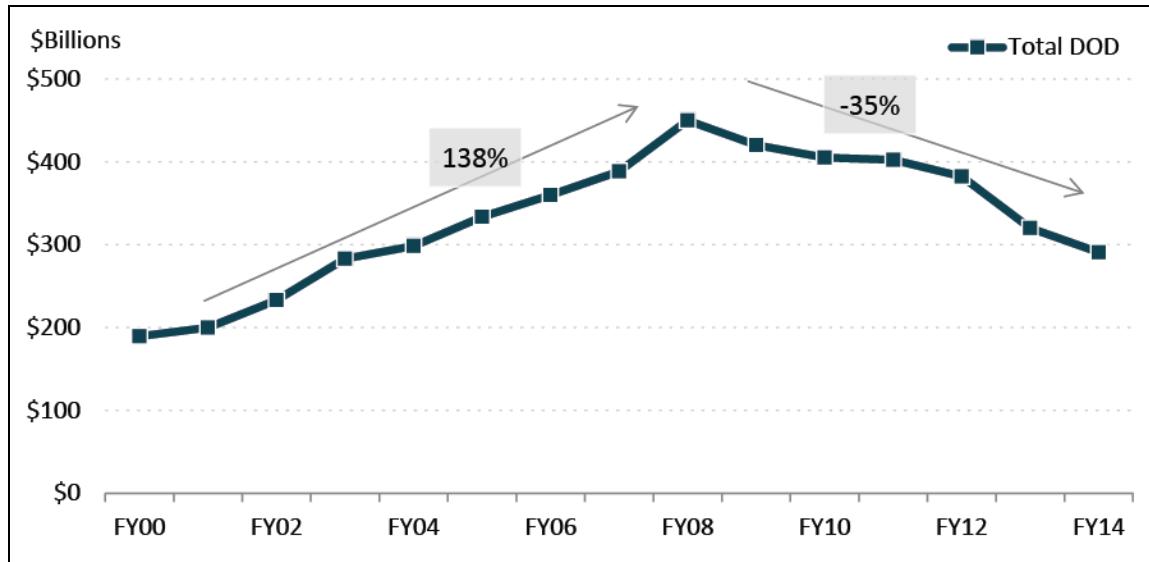
Source: Federal Procurement Data System-Next Generation, January, 2015. Figure created by CRS.

From FY2000 to FY2014, adjusted for inflation (FY2015 dollars), DOD contract obligations increased from \$189 to \$290 billion.⁷ However, the increase in spending has not been steady. Over the last 15 years, DOD contracting has been marked by a steep increase in obligations from FY2000-2008 (\$260 billion; 138%), followed by a substantial drop in obligations (\$160 billion; 35%) from FY2008-2014 (see **Figure 2**).

⁷ Deflators for converting into constant dollars derived from Office of the Under Secretary of Defense (Comptroller), Department of Defense, *National Defense Budget Estimates for FY2015*, “Department of Defense Deflators – TOA By Category ‘Total Non-Pay,’” Table 5-5, p. 56-57, April 2014.

Figure 2. DOD Contract Obligations

FY2015 Dollars

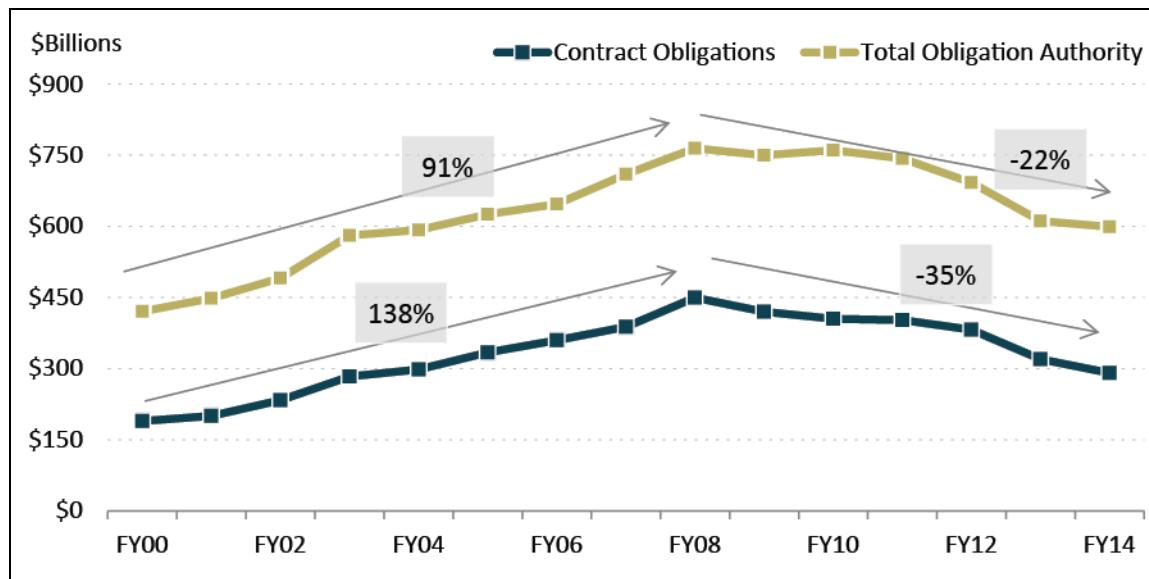


Source: CRS analysis of data from the Federal Procurement Data System—Next Generation, January, 2015. Figure created by CRS.

Contract obligation trends are generally consistent with overall DOD obligation trends. For example, DOD total obligation authority increased significantly from FY2000 to FY2008, and decreased from FY2008 to FY2014 (see Figure 3).

Figure 3. DOD – Total Obligation Authority

FY2015 Dollars



Source: Office of the Under Secretary of Defense (Comptroller), Department of Defense, *National Defense Budget Estimates for FY2016*, “Department of Defense TOA – By Public Title,” Table 6-1, March, 2015. Figure created by CRS.

Some analysts believe that this trend of rapid contract spending increases (averaging 11% annual increases), followed by a relatively sharp cut in contract spending (averaging 7% annual decreases), puts DOD at increased risk of making short-term budget decisions (aimed at meeting budget caps) that could cause long-term harm. These analysts argue that, even without changing long-term budget reduction targets, DOD should make more strategically informed decisions.⁸ The limits on DOD funding resulting from the Budget Control Act could result in cuts that are not strategically thought out.⁹ A more gradual reduction in spending, or additional funding in select budget categories, could help DOD make more gradual spending reductions and more considered choices, potentially minimizing hazardous long-term effects of budget cuts. Addressing budget cuts, former Pentagon comptroller Robert Hale wrote that one option for Congress is to

approve more funding in at least some budget categories and raise the budget caps to accommodate the boosted funding. This could be accomplished in a mini budget deal (as opposed to the forever elusive “grand bargain”) that, hopefully for at least a few years, would effectively eliminate the threat of sequestration in favor of *considered choices* (italics added).¹⁰

The boom-and-bust trend of DOD contract spending that makes budget cuts more difficult is in marked contrast to the rest of the federal government, which has had more gradual increases and less drastic spending cuts (see **Figure 4**).

⁸ Discussing the need to prioritize spending and make strategically informed decisions when cutting defense spending, Todd Harrison wrote

CSBA has conducted a number of strategic choices exercises throughout the defense community challenging participants to develop a BCA-constrained strategy and defense program. Rather than simply cutting programs and forces to meet budget constraints, most teams have used the cuts as a forcing mechanism to rebalance DOD’s portfolio of capabilities. While the strategies and associated priorities pursued by teams have differed, a common theme has been the need to make strategically informed investment and divestment decisions rather than just shrinking the size of the current force.

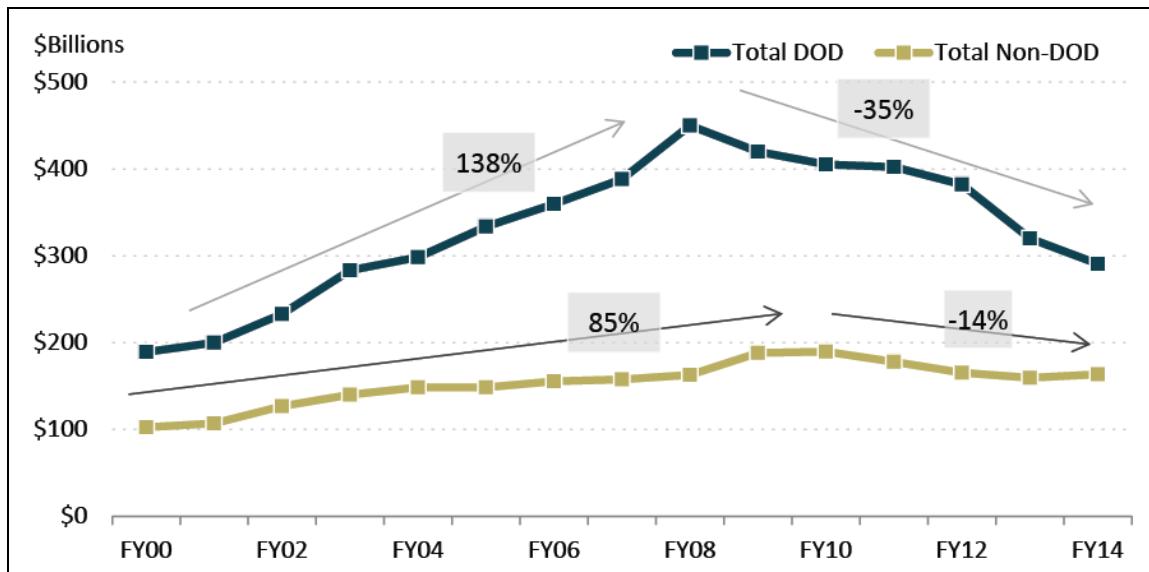
See Todd Harrison, *Analysis of the FY 2015 Defense Budget*, Center for Strategic and Budgetary Assessments, September 5, 2014, p. 30.

⁹ For more information on the Budget Control Act, see CRS Report R43411, *The Budget Control Act of 2011: Legislative Changes to the Law and Their Budgetary Effects*, by Mindy R. Levit. Mindy Levit is no longer at the Congressional Research Service. For questions related to this report contact Steven Maguire at smaguire@crs.loc.gov or 7-7841.

¹⁰ Robert Hale, “Sequestration: Don’t Believe All the Hype,” *Breaking Defense*, February 19, 2015.

Figure 4. DOD vs. Rest of Government Contract Obligations

FY2015 Dollars



Source: CRS analysis of FPDS data. Figure created by CRS.

What DOD Is Buying

In FY2014, 45% of total DOD contract obligations were for services, 45% for goods, and 10% for research and development (R&D). This is in contrast to the rest of the federal government (excluding DOD), which obligated a significantly larger portion of contracting dollars on services (68%) than on goods (22%) or research and development (9%).

How Are Contracts Categorized?

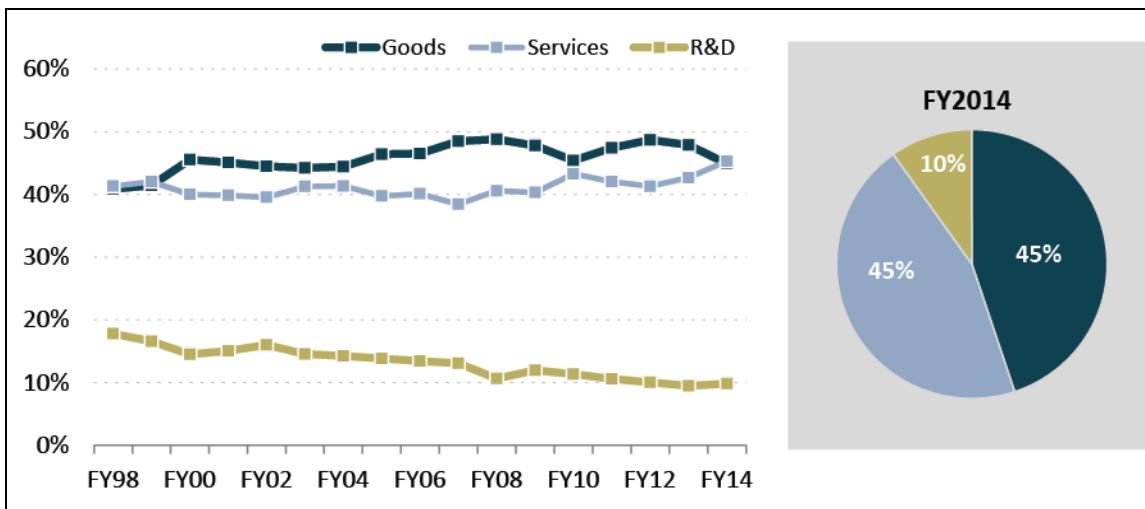
FPDS categorizes contracts by product or service codes. According to FPDS, “These product/service codes are used to record the products and services being purchased by the Federal Government. In many cases, a given contract/task order/purchase order will include more than one product and/or service. In such cases, the product or service code data element code should be selected based on the predominant product or service that is being purchased. For example, a contract for \$1000 of lumber and \$500 of pipe would be coded under 5510, Lumber & Related Wood Materials.”

Because FPDS-NG contracts are associated with only a single product or service code—even when the contract involves substantial deliveries of other products or services—the analysis in this report should be used only to identify broad overall trends.

Source: U.S. General Services Administration Office of Governmentwide Policy, *Federal Procurement Data System Product and Service Codes Manual*, August 2011 Edition, October 1, 2011, p. 6.

For almost twenty years, DOD has dedicated an ever-smaller share of contracting dollars to R&D, with such contracts dropping from 18% of total contract obligations in FY1998 to 10% in FY2014. (For a breakout of DOD obligations trends by product service code, see **Appendix B**.)

Figure 5. DOD Contract Obligations by Major Category

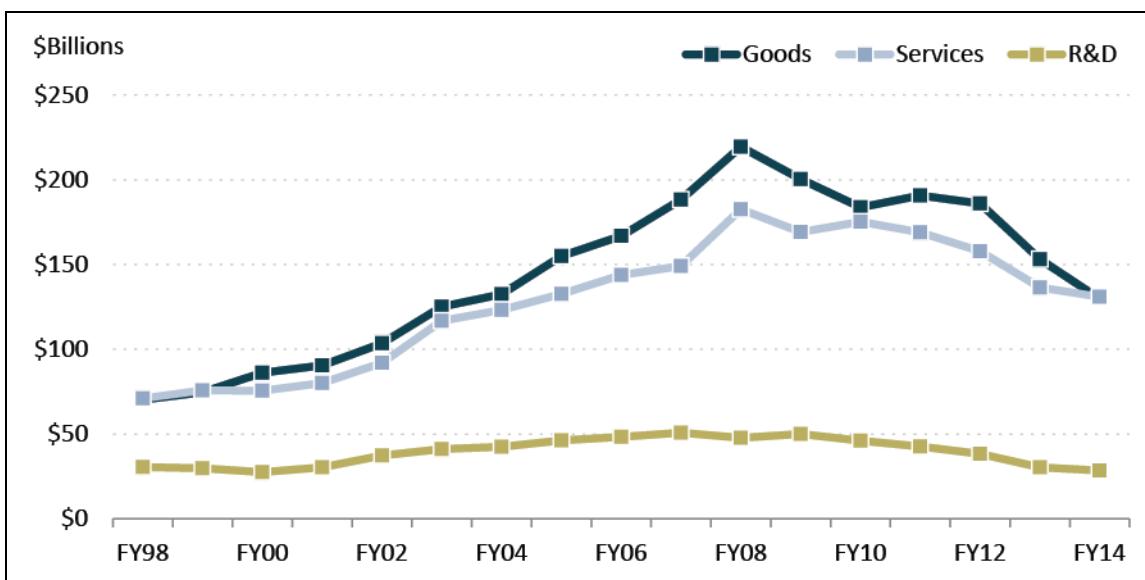


Source: CRS analysis of FPDS data. Figure created by CRS.

The relative decrease in R&D contracts is not just as a percentage of overall spending, but also in terms of constant dollars. Despite increased spending on R&D from FY2000-FY2007, adjusted for inflation, DOD obligated less money on R&D contracts in FY2014 (\$28 billion) than it invested more than 15 years earlier (\$31 billion in FY1998). In contrast, over the same period, DOD obligations to acquire both goods and services are substantially higher than they were fifteen years ago (see Figure 6).

Figure 6. DOD Contract Obligations Dedicated to R&D

FY2015 Dollars



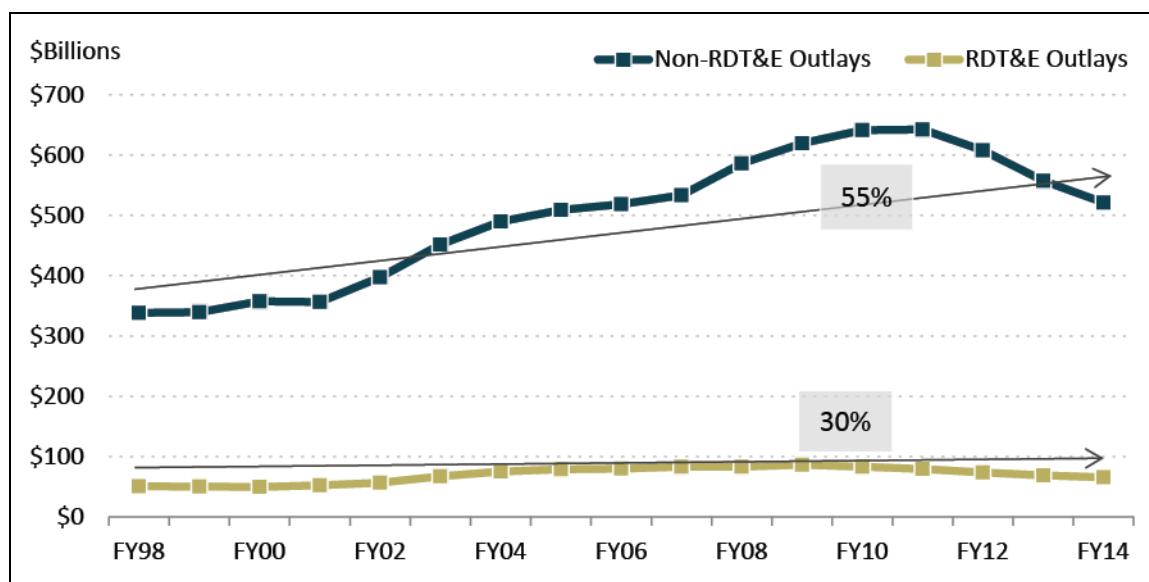
Source: CRS analysis of FPDS data. Figure created by CRS.

Total DOD Spending on Research, Development, Test, and Evaluation (RDT&E)

Research and Development contracting is but a portion of overall DOD investment in developing technology. For example, more than half of DOD's basic research budget is spent at universities and represents the major contribution of funds in some areas of science and technology.¹¹ When taken as a whole, the R&D picture looks somewhat different. Total outlays for RDT&E¹² increased 70% in constant dollars from FY1998 to FY2009, before dropping 24% from FY2009 to FY2014.¹³ However, as reflected in **Figure 7**, over the last 15 years, RDT&E outlays increased at a much slower rate (30%) than non-RDT&E (54%).

Figure 7. DOD RDT&E vs. Non-RDT&E Outlays

FY2015 Dollars



Source: National Defense Budget Estimates for FY 2015, Department of Defense Outlays by Public Title, Table 6-11. Figure created by CRS. FY2014 data from National Defense Budget Estimates for FY 2016, Department of Defense Outlays by Public Title, Table 6-11.

¹¹ For a more detailed discussion of RDT&E spending, see CRS Report R43580, *Federal Research and Development Funding: FY2015*, coordinated by John F. Sargent Jr.

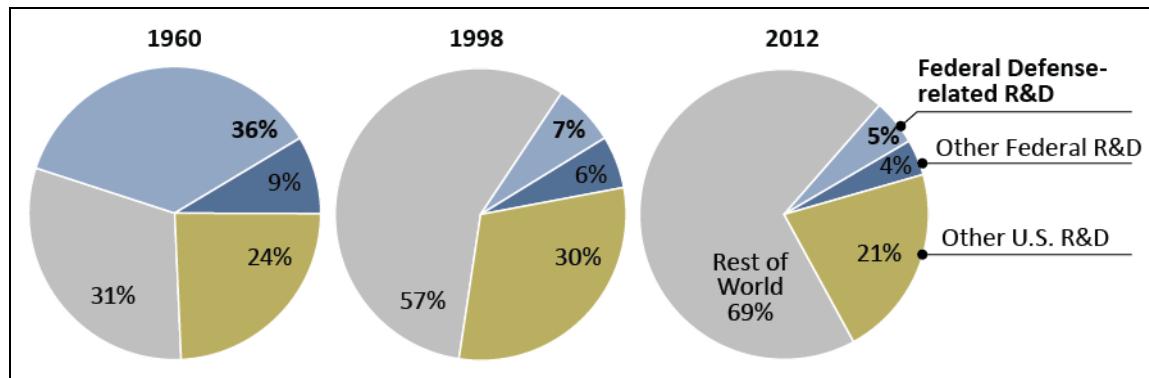
¹² RDT&E budget activities are broad categories reflecting different types of RDT&E efforts. The seven RDT&E budget activities are Basic Research, Applied Research, Advanced Technology Development, Advanced Component Development and Prototypes, System Development and Demonstration, RDT&E Management Support, and Operational System Development.

¹³ Not all RDT&E categories have followed the same pattern. As Todd Harrison, analyst from the Center for Strategic and Budgetary Assessments wrote “Two areas of RDT&E funding have trended upward throughout the overall budget cycle: classified R&D and basic research. While both are cut slightly in FY 2015, they remain well above their pre-build-up levels.” Todd Harrison, *Analysis of the FY 2015 Defense Budget*, Center for Strategic and Budgetary Assessments, 2014, pp. 24-25.

The Global Environment for R&D

The profile of DOD R&D spending takes place against a backdrop of increasing defense and non-defense investments by foreign nations and private industry. As reflected in **Figure 8**, U.S. federal defense-related R&D dropped from 36% of global R&D in 1960 to 7% in 1998, and to 5% in 2012.

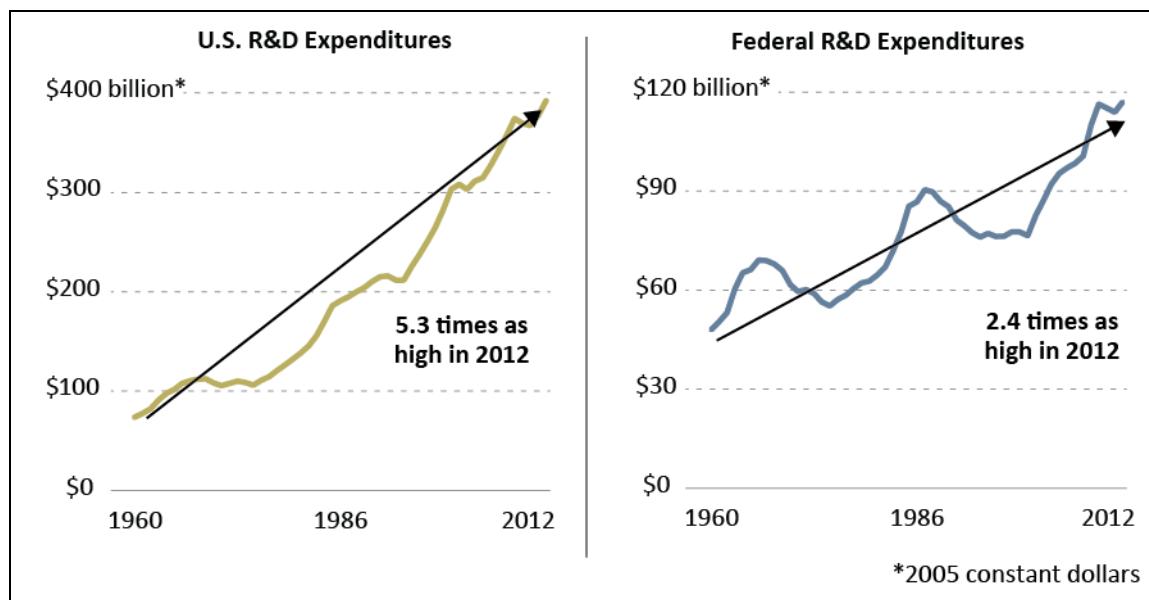
Figure 8. Comparison of R&D Spending 1960-2012



Source: 1960: U.S. and ROW shares based on data from U.S. Department of Commerce, Office of Technology Policy, *The Global Context for U.S. Technology Policy*, Summer 1997 (hard copy). 2012: U.S. and ROW share from OECD, *Main Science and Technology Indicators*, OECD. Stat. Figure created by CRS.

The reduction in U.S. and federal government shares of global R&D did not result from decreased U.S. spending, but from the increased R&D spending of other nations in aggregate. In constant dollars, federal R&D funding in 2012 was 2.4 times its 1960 level, while total U.S. R&D funding in 2012 was 5.3 times its 1960 level (see **Figure 9**).

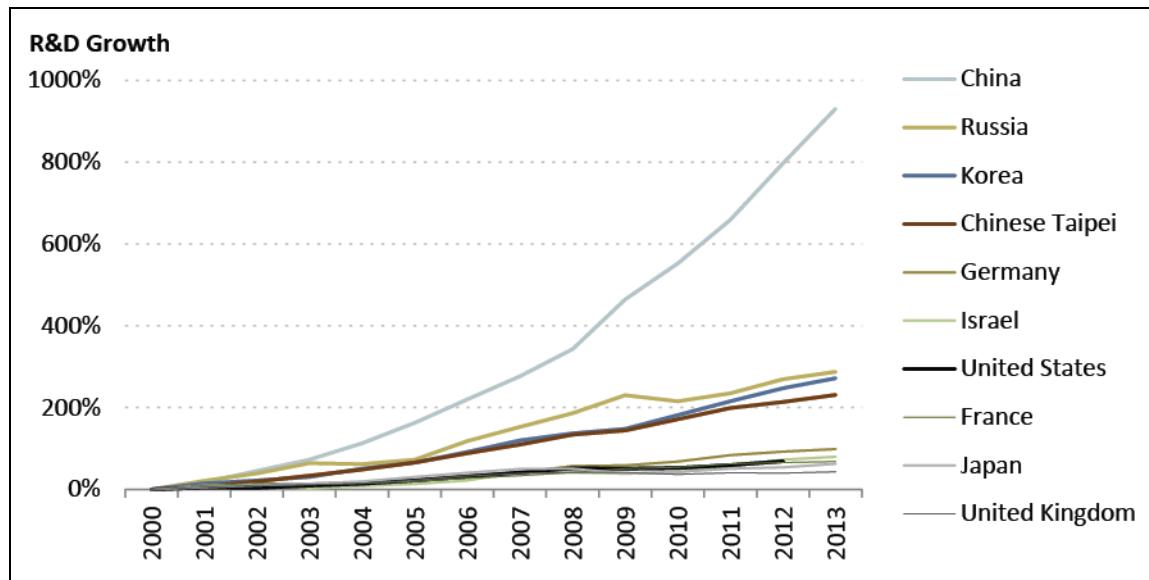
Figure 9. Federal and U.S. Expenditures



Source: National Science Foundation, *National Patterns of R&D Resources: 2011–12 Data Update*, NSF 14-304, Table 6, December 2013, at <http://nsf.gov/statistics/nsf14304/>. Figure created by CRS.

In recent years, R&D expenditures by China have grown at a rapid pace to become the second largest funder of R&D among nations. **Figure 10** shows growth in R&D expenditures for selected nations since 2000, as reported to the OECD, and illustrates the comparatively rapid growth of China's R&D investments with respect to those of other nations.

Figure 10. Growth in Gross Expenditures on R&D for Selected Nations Since 2000



Source: OECD data, Gross Expenditures on R&D (GERD), 2012. Figure created by CRS.

While the growth shown in **Figure 10** is for total R&D funding, these trends have raised concerns among many analysts and senior DOD leaders, such as Under Secretary of Defense Frank Kendall, who testified in January 2015 that

[O]ver the past few decades, the U.S. and our allies have enjoyed a military capability advantage over any potential adversary.... The First Gulf War put this suite of technologies and the associated operational concepts on display for the world to observe and study. The First Gulf War also marked the beginning of a period of American military dominance that has lasted about a quarter of a century and served us well in several conflicts. We used the same capabilities, with some notable enhancements, in Serbia, Afghanistan, Libya and Iraq. It has been a good run, but the game isn't one sided, and all military advantages based on technology are temporary....

The rise of foreign capability, coupled with the overall decline in U.S. research and development investments, is jeopardizing our technological superiority.¹⁴

The United States remains the world's single largest funder of R&D, spending more than the next two highest funders combined (China and Japan) in 2012 (see **Table 1**). Global R&D is highly concentrated among a few nations. The ten nations listed in **Table 1** accounted for more than 80% of global R&D reported to the OECD in 2012.

¹⁴ Written Statement of Under Secretary of Defense Frank Kendall, U.S. Congress, House Committee on Armed Services, *A Case for Reform: Improving DOD's Ability to Respond to the Pace of Technological Change*, 114th Cong., 1st sess., January 28, 2015.

Table I. Total 2012 Gross Expenditures on R&D, by Nation

in billions of current purchasing power parity (PPP) U.S. dollars

Nation	Amount
United States	\$453.5
China	293.1
Japan	151.8
Germany	100.7
South Korea	64.5
France	55.5
United Kingdom	38.9
Russian Federation	38.8
Chinese Taipei	28.7
Italy	26.9

Source: CRS analysis of OECD website data, Gross Expenditures on R&D (GERD), 2012.

Notes: Purchasing power parity is an economic analysis tool used to adjust international currencies to a common currency (in this case, U.S. dollars) based on each currency's domestic purchasing power.

Michael Dumont, Principal Deputy Assistant Secretary of Defense for Special Operations/Low Intensity Conflict, reportedly stated

Many of our adversaries have acquired, developed and even stolen technologies that have put them on somewhat equal footing with the West in a range of areas... the U.S. government no longer has the leading edge developing its own leading edge capabilities, particularly in information technology.¹⁵

In the early 1960s, the federal government funded approximately twice as much R&D as U.S. industry and thus played a substantial role in driving U.S. and global technology pathways. Today, U.S. industry funds more than twice as much R&D as the federal government. This transformation has had, and continues to have, implications for federal R&D strategy and management and for the efficacy of the DOD acquisition system. As one general officer stated, whereas the military used to go to industry and tell them to create a technology to meet a requirement, increasingly the military is going to industry and asking them to adapt an existing commercial technology to military requirements.¹⁶

Where DOD Obligates Contract Dollars

DOD relies on contractors to support operations worldwide, including operations in Afghanistan, permanently garrisoned troops overseas, and ships docking at foreign ports. Because of its global footprint, this report will look at where DOD obligates contract dollars in two ways:

1. by geographic region

¹⁵ Stew Magnunson, "DOD Official: Government Has Lost its Technological Edge Over Opponents," *National Defense Magazine*, January 27, 2015, p. <http://www.nationaldefensemagazine.org/Pages/default.aspx>.

¹⁶ Based on discussion with CRS analyst, May 8, 2013.

2. domestic vs. overseas

What Is Place of Performance?

FPDS defines place of performance as “the location of the principal plant or place of business where the items will be produced, supplied from stock, or where the service will be performed.”¹⁷ Foreign place of performance is defined here as work produced, supplied, or performed primarily outside of the United States or its territories.

According to DOD, the FPDS is required to collect only the predominant place of performance for contract actions. Because FPDS lists only one country for place of performance, contracts listed as being performed in one country can also involve substantial performance in other countries. In 2012, GAO noted that FPDS’s inability to provide more granular data entry and analysis limited the “utility, accuracy, and completeness” of the data.¹⁸

By Geographic Region

DOD divides its missions and geographic responsibilities among six unified combatant commands:

1. U.S. Northern Command (NORTHCOM),¹⁹
2. U.S. African Command (AFRICOM),
3. U.S. Central Command (CENTCOM),²⁰
4. U.S. European Command (EUCOM),
5. U.S. Pacific Command (PACOM), which includes Hawaii and a number of U.S. territories,²¹ and
6. U.S. Southern Command (SOUTHCOM).²²

These commands do not control all DOD contracting activity that occurs within their respective geographic regions. For example, Transportation Command (TRANSCOM), headquartered at Scott Air Force Base, IL, may contract with a private company to provide transportation services in CENTCOM. For purposes of this report, DOD contract obligations are categorized by the place of performance, not the DOD component that signed the contract or obligated the money. For example, all contract obligations for work in the geographic location that falls under the responsibility of CENTCOM will be allocated to CENTCOM, regardless of which DOD organization signed the contract.

¹⁷ General Services Administration, Federal Procurement Data System-Next Generation (FPDS-NG) Data Element Dictionary, version 1.4, p. 98, February 15, 2011, at https://www.fpds.gov/downloads/Version_1.4_specs/FPDSNG_DataDictionary_V1.4.pdf.

¹⁸ U.S. Government Accountability Office, *Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD’s Inventory of Contracted Services*, GAO-12-357, April 2012, Highlights, at <http://www.gao.gov/assets/590/589951.pdf>.

¹⁹ NORTHCOM includes the United States, Mexico, Canada, and the Bahamas.

²⁰ CENTCOM includes Middle Eastern and central Asian countries, such as Egypt, Israel, Iraq, Afghanistan, Iran, Tajikistan, and Uzbekistan.

²¹ U.S. territories in PACOM include American Samoa, Guam, Wake Island, and Johnson Atoll.

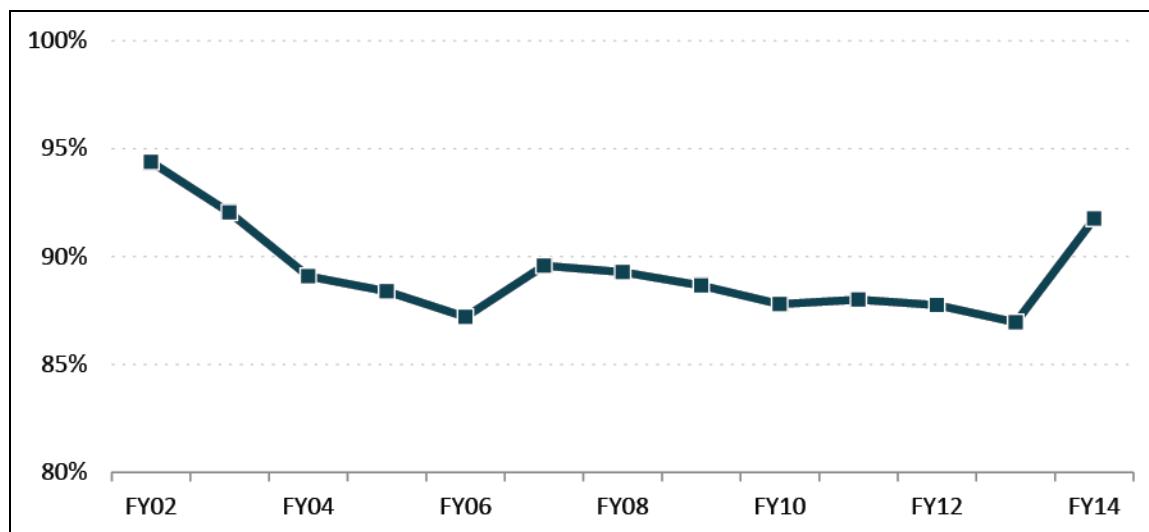
²² SOUTHCOM includes South American countries.

In FY2014, 90% of DOD contracts were performed in NORTHCOM (which includes the Bahamas, Canada, and Mexico). DOD obligated 4% of total contract work in CENTCOM, followed by PACOM (2.5%), EUCOM (2%), AFRICOM (0.17%), and SOUTHCOR (0.14%).

Domestic vs. Overseas

In FY2014, 92% of DOD contract obligations (\$265 billion in FY15 dollars) were for work performed in the United States, the highest percentage since FY2003 (see **Figure 11**).²³ Over the last six years, obligations for domestic contracts dropped by 34%, from a high of approximately \$400 billion in FY2008 to some \$265 billion in FY2014; obligations for overseas contracts were cut in half, from \$48 billion in FY2008 to \$24 billion in FY2014. The drop in overseas obligations stems primarily from drawdowns in the Iraq and Afghanistan theaters, where contract obligations decreased from \$32.5 billion in FY2008 to \$12.5 billion in FY2014 (**Figure 12**).²⁴

Figure 11. Percentage of DOD Contract Obligations Performed in the United States



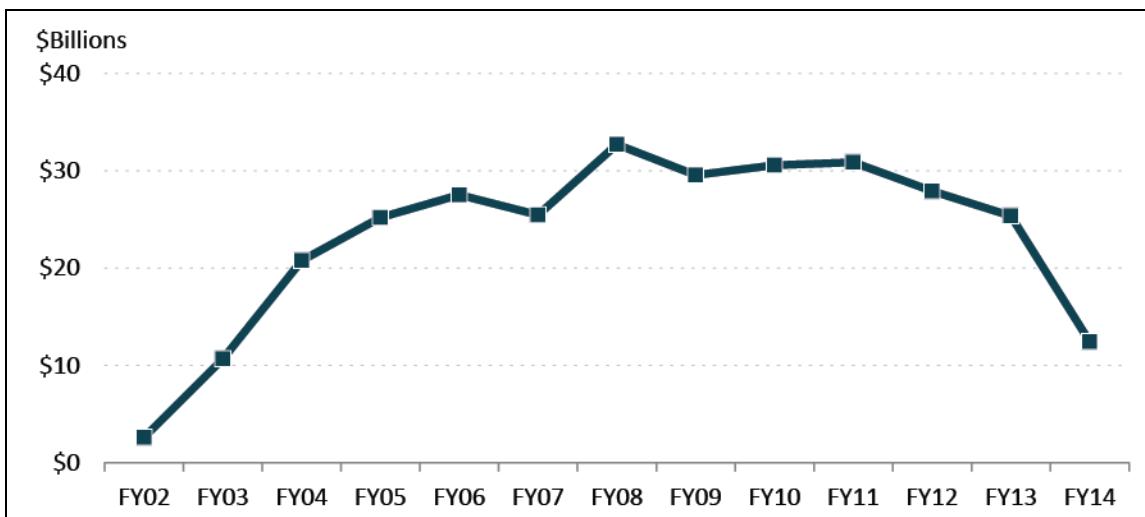
Source: CRS analysis of FPDS data. Figure created by CRS.

²³ For purposes of this report, U.S. territories (including American Samoa, Guam, Northern Mariana Islands, Puerto Rico, the U.S. Virgin Islands, Johnston Atoll, and Wake) are deemed domestic spending. For a list of U.S. territories, see <http://www.doi.gov/oa/islands/politicatypes.cfm>.

²⁴ Based on Congressional Budget Office (CBO) methodology, the Iraqi theater includes Iraq, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, and the United Arab Emirates. See Congressional Budget Office, *Contractors' Support of U.S. Operations in Iraq*, August 2008, p. 3. For purposes of this analysis, the Afghan theater includes Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

Figure 12. Contract Obligations in Iraq and Afghanistan Theaters

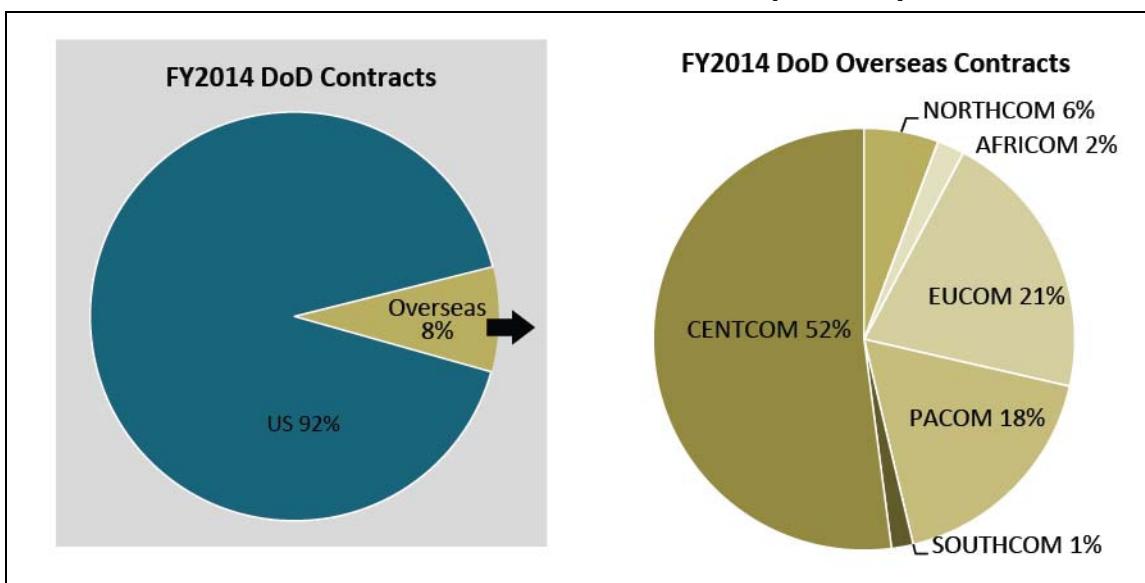
FY2015 Dollars



Source: CRS Analysis of FPDS data. Figure created by CRS.

Despite the drawdown in Iraq and Afghanistan, in FY2014 DOD contract obligations for work performed overseas were still primarily steered to CENTCOM (52%), followed by EUCOM (21%), PACOM (18%), NORTHCOM (6%), SOUTHCOM (2%), and AFRICOM (2%) (**Figure 13**). However, a significant shift in where contracting dollars are allocated appears to be underway. Fewer dollars are being obligated in CENTCOM and EUCOM, whereas more dollars are being directed towards PACOM (See **Table 2**).

Figure 13. DOD Contract Obligations for Work Performed in Combatant Command Areas of Responsibility



Source: CRS Analysis of FPDS data. Figure created by CRS.

Table 2. Obligations for Contracts Performed Overseas

FY2015 Dollars

Unified Combatant Command ^a	FY2008	FY2014	Change
CENTCOM	\$32,783,702,635	\$12,483,406,051	-62%
EUCOM	\$10,440,264,437	\$4,987,819,112	-52%
PACOM	\$2,983,932,444	\$4,236,333,879	42%
NORTHCOM	\$1,329,916,478	\$1,376,759,556	4%
AFRICOM	\$312,105,190	\$493,098,812	58%
SOUTHCOM	\$416,188,774	\$396,447,846	-5%

Source: CRS Analysis of FPDS data, January, 2015.

Note: FY2008 chosen as point of comparison because FY2008 is the high-point of DOD contract obligations.

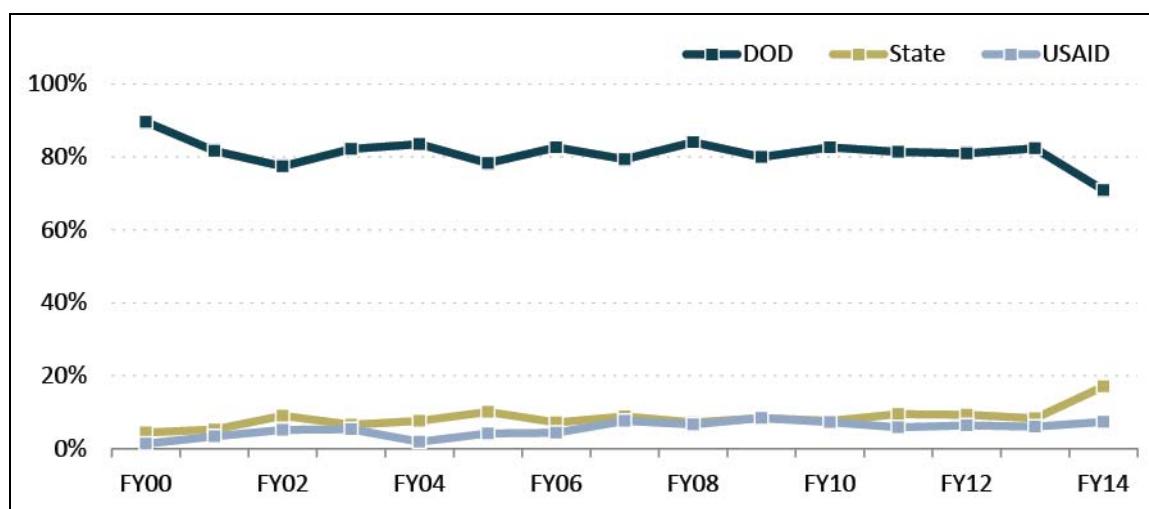
a. Does not include contracts performed in the United States and its territories.

Of the top 12 countries where DOD contractors perform work abroad, five were in CENTCOM, three in EUCOM, two in PACOM, and two in NORTHCOM (see **Appendix C**).

DOD Overseas Obligations vs. Rest of Government

DOD's share of total government obligations for contracts performed abroad has trended down from a high of 90% in FY2000 to 71% in FY2014. Over the same period, combined Department of State and USAID contract obligations increased from 4% to 24% of all U.S. government overseas obligations (see **Figure 14**).

Figure 14. DOD's Proportion of Total U.S. Government Contract Work Performed Overseas



Source: CRS Analysis of FPDS data. Figure created by CRS.

Notes: USAID was established as an independent agency in 1961, but receives overall foreign policy guidance from the Secretary of State.

A number of analysts have argued that as a result of its larger budget and workforce, DOD often undertakes traditionally civilian missions because other agencies do not have the necessary resources to fulfill those missions.²⁵ Some of these analysts argue that more resources should be invested into civilian agencies to allow them to play a larger role in conflict prevention, post-conflict stabilization, and reconstruction. As The Senate Foreign Relations Committee Majority, Discussion Paper on Peacekeeping, Majority Staff, April 8, 2010, stated, “The civilian capacity of the U.S. Government to prevent conflict and conduct post-conflict stabilization and reconstruction is beset by fragmentation, gaps in coverage, lack of resources and training, coordination problems, unclear delineations of authority and responsibility, and policy inconsistency.”

Many of these analysts have argued that to achieve its foreign policy goals, the United States needs to take a more whole-of-government approach that brings together the resources of, among others, DOD, the Department of State, and USAID—and government contractors. Then-Secretary of Defense Robert Gates echoed this approach when he argued, in 2007, for strengthening the use of soft power in national security through increased nondefense spending. As Secretary Gates stated:

What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development.... We must focus our energies beyond the guns and steel of the military, beyond just our brave soldiers, sailors, Marines, and airmen. We must also focus our energies on the other elements of national power that will be so crucial in the coming years.²⁶

Contract obligations since FY2000 may indicate a shift toward a more whole-of-government approach to achieving foreign policy objectives.

How Reliable Are the DOD Data on Contract Obligations?

According to the Federal Acquisition Regulation, FPDS-NG can be used to measure and assess “the effect of Federal contracting on the Nation’s economy and ... the effect of other policy and management initiatives (e.g., performance based acquisitions and competition).”²⁷ FPDS is also used to meet the requirements of the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282), which requires all federal award data to be publicly accessible.

Congress, legislative and executive branch agencies, analysts, and the public all rely on FPDS as a primary source of information for understanding how and where the federal government spends

²⁵ In FY2009, the height of DOD spending during the conflicts in Iraq and Afghanistan, DOD had a base budget of \$515.4 billion, more than 13 times the combined budgets of the Department of State, the U.S. Agency for International Development (USAID), and other foreign affairs agencies. In addition, DOD had a total workforce of more than 2.4 million, nearly 70 times the combined workforce of the Department of State and USAID. As a result of resource allocation, the Commission on Wartime Contracting in Iraq and Afghanistan stated that “Defense has become heavily engaged in stabilization and reconstruction—tasks seen as more akin to development than warfighting”. See: Commission on Wartime Contracting in Iraq and Afghanistan, *Transforming Wartime Contracting, Controlling costs, reducing risks*, August 31, 2011, p. 132.

²⁶ Remarks delivered by Secretary of Defense Robert M. Gates at Manhattan, KS, November 26, 2007.

²⁷ FAR Subpart 4.602(2) and 4.602(4).

contracting dollars. Congress and the executive branch rely on the information to help make and oversee informed policy and spending decisions. Analysts and the public rely on the data in FPDS to conduct analysis and gain visibility into government operations.

Data reliability is essential to the utility of FPDS. As GAO has stated, “[R]eliable information is critical to informed decision making and to oversight of the procurement system.”²⁸ According to officials within the White House’s Office of Federal Procurement Policy, “[c]omplete, accurate, and timely federal procurement data are essential for ensuring that the government has the right information when planning and awarding contracts and that the public has reliable data to track how tax dollars are being spent.”²⁹ If the data contained in FPDS are not sufficiently reliable, the data may not provide an appropriate basis for measuring or assessing federal contracting, making policy decisions, or providing transparency into government operations. The result could be the implementation of policies that squander resources and waste taxpayer dollars. According to GAO, “[f]ederal agencies are responsible for ensuring that the information reported in [the FPDS] database is complete and accurate.”

Data Reliability Concerns Persist

According to GSA, data in FPDS are provided by agencies and the agencies are required to validate their data annually through the FPDS Data Independent Verification and Validation and Quality Certification. Agency statements regarding data accuracy are independent of the FPDS systems and outside the authority of GSA.

GAO has repeatedly raised concerns over the accuracy, limitations, and reliability of the data contained in the FPDS-NG database.³⁰ According to GAO, FPDS-NG often contains data with limited “utility, accuracy, and completeness.”³¹ The Office of Management and Budget has also released guidance requiring executive branch agencies to implement GAO recommendations seeking to improve FPDS data quality.³² Continued concerns raised over the reliability of data

²⁸ U.S. General Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R, December 30, 2003, p. 1, at <http://www.gao.gov/assets/100/92399.pdf>.

²⁹ Daniel I Gordon, *Improving Federal Procurement Data Quality—Guidance for Annual Verification and Validation*, Executive Office of the President, Office of Federal Procurement Policy, Washington, DC, May 31, 2011, at <http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/improving-data-quality-guidance-for-annual-verification-and-validation-may-2011.pdf>.

³⁰ See U.S. Government Accountability Office, *Improvement Needed to the Federal Procurement Data System-Next Generation*, GAO-05-960R, September 27, 2005, at <http://gao.gov/assets/100/93613.pdf>; U.S. Government Accountability Office, *Federal Contracting: Observations on the Government’s Contracting Data Systems*, GAO-09-1032T, September 29, 2009, at <http://www.gao.gov/assets/130/123442.pdf>; U.S. Government Accountability Office, *Continued Management Attention Needed to Enhance Use and Review of DOD’s Inventory of Contracted Services*, GAO-13-491, May 23, 2013, at <http://gao.gov/assets/660/654814.pdf>.

³¹ U.S. Government Accountability Office, *Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD’s Inventory of Contracted Services*, GAO-12-357, April 2012, Highlights, at <http://www.gao.gov/assets/590/589951.pdf>. See also, U.S. Government Accountability Office, *Federal Contracting: Observations on the Government’s Contracting Data Systems*, GAO-09-1032T, September 29, 2009, p. Highlights. at <http://gao.gov/assets/130/123442.pdf>. In addition to this testimony, GAO has repeatedly made recommendations to improve FPDS data quality and reliability, including, for example, recommending that “OMB work with agencies to implement systems for contract writing that connect directly to FPDS-NG and provide confirmation of agencies’ review and verification of the accuracy and completeness of their data in FPDS-NG.” (U.S. Government Accountability Office, *Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website*, GAO-14-476, June 2014, p. 9, at <http://www.gao.gov/assets/670/664536.pdf>).

³² Office of Management and Budget, “Memorandum for Chief Acquisition Officers, Senior Procurement Executives, (continued...)

have prompted many analysts to rely on FPDS-NG primarily to identify broad trends and make rough estimations. According to one GAO report:

DOD acknowledged that using FPDS-NG as the main data source for the inventories has a number of limitations. These limitations include that FPDS-NG does not provide the number of contractor FTEs performing each service, identify the requiring activity, or allow for the identification of all services being procured.³³

Officials from the General Services Administration, the agency that administers FPDS-NG, stated that data errors in FPDS-NG do not substantively alter the larger context of 1.4 million actions and billions of dollars of obligations entered into the system by DOD every year. Officials have also indicated that whenever possible and feasible, steps are taken to improve the reliability and integrity of the data contained in FPDS. For example, in FY2011, the Congressional Research Service reported on specific data reliability concerns regarding contracts listed as having been performed overseas that were actually performed in the United States.³⁴ DOD addressed the data error by reviewing past data and correcting coding errors.³⁵ To prevent similar coding errors in the future, a rule change was implemented requiring agencies to adopt three-letter International Standard (ISO) codes when coding a particular country into FPDS-NG.³⁶

Other data deficiencies appear more consequential. According to DOD officials, the obligations for FY2008 are “artificially higher by \$13B and the FY09 number is artificially lower by \$13B” due to over-obligation on a single contract. DOD went on to note that the money obligated in FY2008 was never spent and that “this is a known error and even had a note in FPDS for a while.”³⁷ Such an error, particularly without an easily identifiable notation, significantly affects analyses of DOD spending trends, including the analysis in this report.

(...continued)

and Small Agency Council Members: Improving Acquisition Data Quality – FY 2008 FPDS Data,” M-08-04, (Washington, D.C.: May 9, 2008); and Office of Management and Budget, Memorandum for Chief Acquisition Officers, Senior Procurement Executives, and Small Agency Council Members: Improving Federal Procurement Data Quality – Guidance for Annual Verification and Validation,” at <http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/improving-data-quality-guidance-for-annual-verification-and-validation-may-2011.pdf>.

³³ U.S. Government Accountability Office, *Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD’s Inventory of Contracted Services*, GAO-12-357, April 2012, p. 2.

³⁴ For example, contract obligations performed in Texas were incorrectly coded as having taken place in Turkmenistan. Both Texas and Turkmenistan shared the same two letter code; the coding error occurred when TX was mistakenly entered into the country-code data field rather than the state-code data field, thus marking the place of performance as Turkmenistan. CRS found 32 instances where foreign locations shared the same two letter code as a U.S. state or territory; from FY2005 to FY2010, more than \$1.4 billion in contract obligations listed as having been performed overseas were likely performed in the United States. This error was first identified in a news article published in *Eurasianet.org*. See Deirdre Tynan, “Turkmenistan: Memo to Pentagon – Austin and Ashgabat Are on Different Continents,” *EURASIANET.org*, July 5, 2011, at <http://www.eurasianet.org/node/63803>. See CRS Report R41820, *Department of Defense Trends in Overseas Contract Obligations*, by Moshe Schwartz and Wendy Ginsberg, July 22, 2011.

³⁵ CRS independently confirmed that data were adjusted.

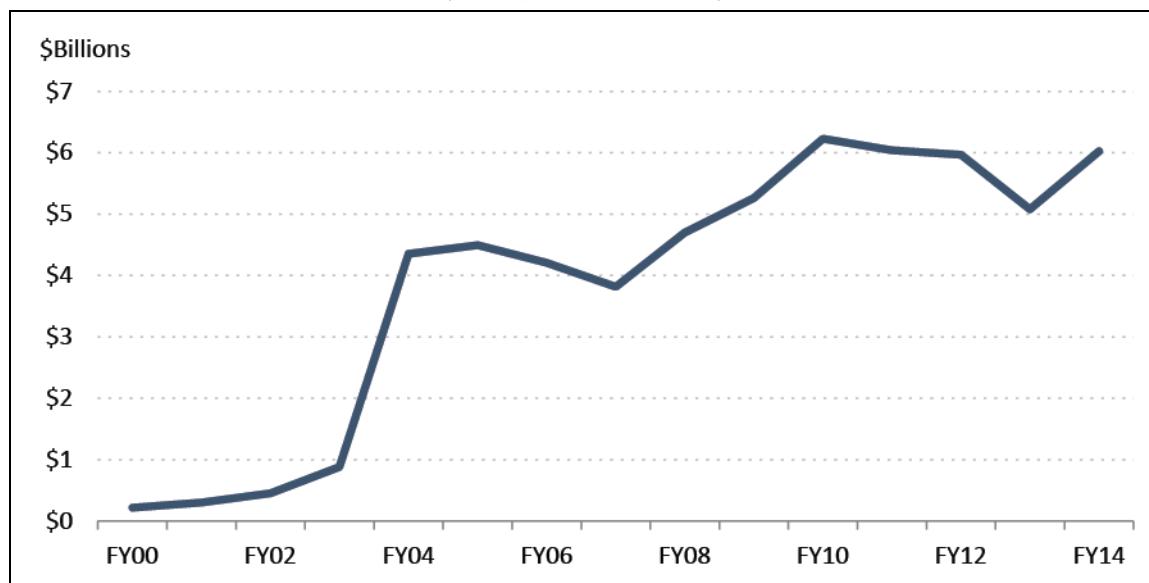
³⁶ Information provided via e-mail to the authors on January 29, 2013. To implement the use of the three-digit ISO country code standard, GSA modified FPDS-NG to accept and return only ISO codes in the appropriate data elements and verified that the contractor charged with maintaining the system had the appropriate subscriptions with ISO to provide continuous country coding updates as they are released. The coding change document is available at https://www.fpdsgov/wiki/index.php/V1.4_SP_16.0.

³⁷ Information provided to the author by email from DOD on March 31, 2015.

In a more recent example of data inconsistency within FPDS, CRS identified a discrepancy of approximately \$6 billion in FY2014 when users employed different methods to extract data from the FPDS database. Although the two methods presumably access the same dataset, in some cases when data were extracted using the system’s “standard report,” it produced a total dollar value significantly lower than that extracted when using the system’s “ad hoc report.” The reason for the data discrepancy appears to be that in cases when an agency does not report the place of performance of the contract, the “standard report” omits the contract from search results entirely.³⁸

When asked about this particular data discrepancy, GSA stated that the difference was a “feature of the data.”³⁹ CRS extracted FPDS data via both the “standard report” and the “ad hoc report” for all fiscal years available and calculated the resulting discrepancies over time. **Figure 15** shows the dollar value of the discrepancy between the two search methods.

Figure 15. Discrepancy in Different Methods for Calculating Total Contracts Obligations
(not adjusted for inflation)



Source: CRS analysis of FPDS data.

³⁸ The data discrepancy appears only to occur when a user searches for data using the place of the contract’s performance as a filter for responses. So, for example, the discrepancy would occur when a user employed the “standard report” to search for contracts that took place in Texas, and then ran the same search using the “ad hoc report.”

³⁹ GSA’s full email response read as follows:

This apparent discrepancy is actually a feature of the data. Specifically, the difference that CRS is pointing out is due to the fact that IDVs are not required to have a place of performance, but can have obligated dollars against them. The Geographical Place of Performance Report requires a place of performance whereas the Federal Contract Dollars and Actions Report does not. The entire difference in the dollar amounts that CRS observed comes from dollars obligated against IDVs which do not have a Place of Performance.

Information provided from GSA to CRS via email on February 4, 2015.

Notes: The discrepancy occurs when a user searches for total contracting obligations and requests that the online system sort the data by the place in which the contract was performed. In some cases, when a user employs the “standard report,” option within the database, the search yields a lower result than when a user employs the “ad hoc report.” Both reports, however, presumably access the same underlying data source to produce their results.⁴⁰ The reason for the data discrepancy appears to be that in cases when an agency doesn’t report the place of performance of the contract, the “standard report” omits the contract from search results entirely.

Despite the limitations of FPDS, imperfect data are sometimes better than no data. A number of observers have noted that despite its shortcomings, FPDS is one of the world’s leading systems for tracking government procurement data.⁴⁰ FPDS data can be used to identify some broad trends and rough estimations, or to gather information about specific contracts. Understanding the limitations of data—knowing when, how, and to what extent to rely on data—could help policymakers incorporate FPDS data more effectively into their decision-making process.

GSA Efforts to Improve FPDS

According to GSA, a number of data systems, including FPDS, are undergoing a significant overhaul. This overhaul is a multi-year process that is expected to improve the reliability and usefulness of the information contained in the data systems. Part of the effort includes focus groups with stakeholders, including agency decision-makers and congressional staff, to solicit feedback on how to improve the reliability, usability, and relevance of the data stored in the systems being updated. CRS analysts participated in focus groups. While no date has been set for completing this effort, officials believe that the upgrades will be rolled out sometime in 2017 or 2018.

The extent to which GSA and federal agencies succeed in their efforts to improve the accuracy, reliability, and usability of FPDS will determine the extent to which Congress and senior executive branch officials will have access to reliable and timely data that can be used to make budget and policy decisions.

⁴⁰ Based on CRS email exchanges and conversations with foreign-based investigative journalists and academics, April, 2015.

Appendix A. The Federal Procurement Data System

On August 30, 1974, Congress enacted the Office of Federal Procurement Policy Act, which established an Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget (OMB) and required the establishment of “a system for collecting, developing, and disseminating procurement data which takes into account the needs of Congress, the executive branch, and the private sector.”⁴¹ One of the goals of establishing a system for tracking procurement data was to “promote economy, efficiency, and effectiveness in the procurement of property and services.”⁴²

In February 1978, the OFPP issued a government-wide memorandum that designated the Department of Defense as the executive agent to operate the Federal Procurement Data System.⁴³ Agencies were instructed to begin collection of procurement data on October 1, 1978, and to report the data to DOD in February 1979.⁴⁴ Since 1982, the General Services Administration has operated the system on behalf of the OFPP.⁴⁵ Today, FPDS is the only government-wide, publicly available system that contains all federal procurement data. FDPS data are used by other federal-spending information resources, including *USA Spending.gov*.

Almost from FPDS’s inception, the Government Accountability Office expressed concerns about the accuracy of the information in the database.⁴⁶ OMB attempted to eliminate many of the errors in FPDS by introducing a successor system—the Federal Procurement Data System-Next Generation (FPDS-NG), which began operation on October 1, 2003.⁴⁷ FPDS-NG was to “rely less

⁴¹ P.L. 93-400, §6(d)(5).

⁴² Ibid., §2. The section also states that Congress has a policy interest in “avoiding or eliminating unnecessary overlapping or duplication of procurement and related activities” and in “coordinating procurement policies and programs of the several departments and agencies.”

⁴³ U.S. General Accounting Office, *The Federal Procurement Data System—Making it Work Better*, April 18, 1980, p. 3, <http://archive.gao.gov/f0202/112171.pdf>.

⁴⁴ Ibid., p. 4.

⁴⁵ Letter from Katherine V. Schinasi, Managing Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, Office of Management and Budget, September 27, 2005, GAO-05-960R, p. 2, at <http://www.gao.gov/new.items/d05960r.pdf>.

⁴⁶ For example, in an October 1979 letter to former Representative Herbert E. Harris, II, then-Comptroller General Elmer B. Staats wrote of FPDS that “the extent of completion and accuracy varies for the different agencies involved.” Moreover he wrote, “the Federal Procurement Data System relies on the integrity of many individuals to prepare the Individual Procurement Action reports ... and to prepare them correctly.” Letter from Elmer B. Staats, Comptroller General of the United States, to The Honorable Herbert E. Harris, II, Chairman, Subcommittee on Human Resources of the Committee on Post Office and Civil Service, October 12, 1979, GAO/PSAD-79-109, pp. 1-2, at <http://archive.gao.gov/d46t13/110552.pdf>. In an August 19, 1994 report, GAO wrote “we found that the [Federal Procurement Data] Center does not have standards detailing the appropriate levels of accuracy and completeness of FPDS data.... [U]sers have identified instances where contractor names and dollar amounts were erroneous. We believe developing standards for FPDS data accuracy and completeness, then initiating a process to ensure that these standards are met, would improve data accuracy and completeness.” U.S. General Accounting Office, *OMB and GSA: FPDS Improvements*, GAO/AIMD-94-178R, August 19, 1994, p. 2, at <http://archive.gao.gov/t2pbat2/152380.pdf>. In a September 27, 2005, report, GAO wrote that “GSA has not informed users about the extent to which agencies’ data are accurate and complete. This lack of confirmation perpetuates a lack of confidence in the system’s ability to provide quality data.” Letter from Katherine V. Schinasi, Managing Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, Office of Management and Budget, September 27, 2005, GAO-05-960R, at <http://www.gao.gov/new.items/d05960r.pdf>.

⁴⁷ Letter from William T. Woods, Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, the Office of Management and Budget, December 30, 2003, p. 3, at (continued...)

on manual inputs and more on electronic ‘machine-to-machine’ approaches.”⁴⁸ Despite the systems update, GAO said “[i]nformation in FPDS-NG can only be as reliable as the information agencies enter through their own systems.”⁴⁹

In September 29, 2009, testimony before the Senate Homeland Security and Governmental Affairs Subcommittee on Contracting Oversight, William T. Woods, GAO’s director of Acquisition and Sourcing Management, said the following about FPDS information:

Our past work has found that federal contracting data systems, particularly FPDS-NG, contain inaccurate data. FPDS-NG is the primary government contracting data system for obligation data. Despite its critical role, GAO and others have consistently reported on FPDS-NG data quality issues over a number of years.⁵⁰

A 2012 GAO report reiterated its finding that DOD needs to “obtain better data on its contracted services to enable it to make more strategic workforce decisions and ensure that it maintains appropriate control of government operations.”⁵¹

(...continued)

<http://www.gao.gov/new.items/d04295r.pdf>. FPDS-NG was designed and is maintained and updated by Global Computer Enterprises, Inc., through a contract with GSA.

⁴⁸ Ibid. According to GAO, most agencies were “expected to have computerized contract writing systems that [would] allow for direct submission of data to FPDS. Reliability of data [was] expected to improve because agency submissions to FPDS-NG [would] be based on data already in the contract writing systems, reducing or eliminate separate data entry requirements. The system provides for immediate data verification to detect errors. If errors are detected, agency procurement officials will have the opportunity to correct them immediately while the information is still readily available.”

⁴⁹ Ibid.

⁵⁰ U.S. Government Accountability Office, *Federal Contracting: Observations on the Government’s Contracting Data Systems*, GAO-09-1032T, September 29, 2009, p. 3, at <http://www.gao.gov/new.items/d091032t.pdf>.

⁵¹ U.S. Government Accountability Office, *Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD’s Inventory of Contracted Services*, GAO-12-357, April 2012, Highlights, at <http://www.gao.gov/assets/590/589951.pdf>.

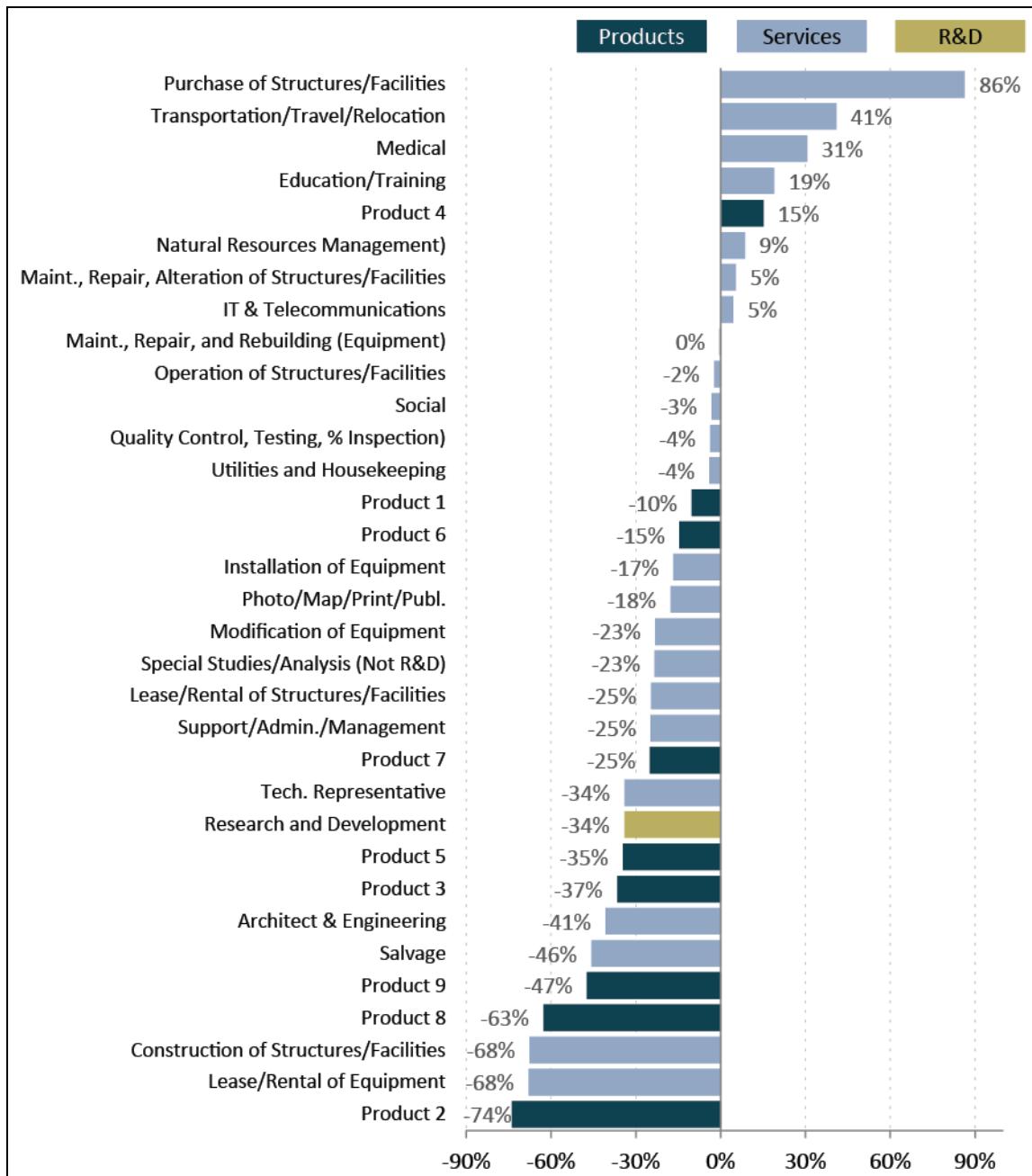
Appendix B. Obligations Trends by PSC Code

According to FPDS-NG, product service codes (PSCs) are used “to describe the products, services, and research and development purchased by the government.”⁵² FPDS-NG breaks out contract obligations into 33 overarching PSCs; each of the nine product codes are represented by numbers from 1-9. Each of the service codes are represented by a single letter (R&D is represented by the letter “A”). **Figure B-1** depicts changes in DOD contract obligations by PSC, from FY2008-FY2014.

Each of the 33 PSCs for services has a description identifying the types of contracts contained in the category; the nine PSCs for products do not have a description. Without a clear and logical system for categorizing products into overarching PSC categories—including descriptions for each category—breaking out such data is of limited value. To better understand what is contained in each product category, see the notes for **Figure B-1**.

⁵² For more information on PSC codes, see <http://support.outreachsystems.com/resources/tables/pscs/>.

Figure B-1. Change in DOD Contract Obligations by PSC Code (FY2008-FY2014)
FY2015 Dollars



Source: Figure created by CRS.

Notes: Each two number code listed below corresponds to one of the 9 product codes represented in the figure. Codes beginning with a 1 are in the Product 1 category; codes beginning with a 2 are in the Product 2 category, etc.

12 - Fire Control Equipment

13 - Ammunitions and Explosives

14 - Guided Missiles

- 15 - Aircraft and Airframe Structural Components
- 16 - Aircraft Components and Accessories
- 17 - Aircraft Launching/Landing/Ground Handling Equip.
- 18 - Space Vehicles
- 19 - Ships, Small Craft, Pontoons, and Floating Docks
- 20 - Ship and Marine Equipment
- 22 - Railway Equipment
- 23 - Ground Vehicles, Motor Vehicles, Trailers, Cycles
- 24 - Tractors
- 25 - Vehicular Equipment Components
- 26 - Tires and Tubes
- 28 - Engines, Turbines, and Components
- 29 - Engine Accessories
- 30 - Mechanical Power Transmission Equipment
- 31 - Bearings
- 32 - Woodworking Machinery and Equipment
- 34 - Metalworking Machinery
- 35 - Service and Trade Equipment
- 36 - Special Industry Machinery
- 37 - Agricultural Machinery and Equipment
- 38 - Construction, Mining, Excavating, Highway Maint.
- 39 - Materials Handling Equipment
- 40 - Rope, Cable, Chain, and Fittings
- 41 - Refrigeration, Air Conditioning Equip.
- 42 - Fire Fighting, Rescue, and Safety Equipment
- 43 - Pumps and Compressors
- 44 - Furnace/Steam Plant/Drying Equip, Nuclear Reactors
- 45 - Plumbing, Heating, and Sanitation Equipment
- 46 - Water Purification and Sewage Treatment Equipment
- 47 - Pipe, Tubing, Hose, Fittings
- 48 - Valves
- 49 - Maintenance and Repair Shop Equipment
- 51 - Hand Tools
- 52 - Measuring Tools
- 53 - Hardware and Abrasives
- 54 - Prefabricated Structures and Scaffolding
- 55 - Lumber, Millwork, Plywood, and Veneer
- 56 - Construction and Building Materials
- 58 - Communications, Detection and Coherent Radiation

- 59 - Electrical and Electronic Equipment Components
- 60 - Fiber Optics Materials and Components
- 61 - Electric Wire, and Power and Distribution Equipment
- 62 - Lighting Fixtures and Lamps
- 63 - Alarm, Signal, and Detection Systems
- 65 - Medical, Dental, and Veterinary Equipment
- 66 - Instruments and Laboratory Equipment
- 67 - Photographic Equipment
- 68 - Chemicals and Chemical Products
- 69 - Training Aids and Devices
- 70 - ADP Equipment Software, Supplies, Equipment
- 71 - Furniture
- 72 - Household/Commercial Furnishings and Appliances
- 73 - Food Preparation and Serving Equipment
- 74 - Office Machines
- 75 - Office Supplies and Devices
- 76 - Books, Maps, and Other Publications
- 77 - Musical Instruments
- 78 - Recreational and Athletic Equipment
- 79 - Cleaning Equipment and Supplies
- 80 - Brushes, Paints, Sealers, and Adhesives
- 81 - Containers, Packaging, and Packing Supplies
- 83 - Textiles/Leather/Furs/Apparel/Shoes/Tents/Flags
- 84 - Clothing, Individual Equipment, and Insignia
- 85 - Toiletries
- 87 - Agricultural Supplies
- 88 - Live Animals
- 89 - Subsistence (Food)
- 91 - Fuels, Lubricants, Oils, and Waxes
- 93 - Nonmetallic Fabricated Materials
- 94 - Nonmetallic Crude Materials
- 95 - Metal Bars, Sheets, and Shapes
- 96 - Ores, Minerals, and Their Primary Products
- 99 - Miscellaneous

Appendix C. Top 12 Countries Where DOD Obligates Contracting Dollars

Table C-1. Top 12 Foreign Countries, by Place of Performance

FY2015 dollars

Rank 2014	Rank 2008	Country	FY2014	FY2008	Unified Combatant Command
1	2	Afghanistan	\$6,069,755,388	\$6,755,707,881	CENTCOM
2	10	Japan	\$2,028,067,694	\$969,497,409	PACOM
3	4	Germany	\$1,809,893,608	\$3,324,536,200	EUCOM
4	6	South Korea	\$1,770,236,660	\$1,675,148,579	PACOM
5	3	Kuwait	\$1,766,050,728	\$4,712,302,313	CENTCOM
6	8	United Arab Emirates	\$1,717,130,386	\$1,266,959,336	CENTCOM
7	17	Saudi Arabia	\$1,221,017,422	\$358,879,938	CENTCOM
8	40	Bahamas	\$767,756,656	\$61,548,573	NORTHCOM
9	54	Kyrgyzstan	\$668,580,013	\$19,885,188	CENTCOM
10	9	Canada	\$602,131,675	\$1,238,971,594	NORTHCOM
11	5	United Kingdom	\$552,568,786	\$2,072,609,195	EUCOM
12	13	Switzerland	\$340,954,545	\$727,402,503	EUCOM
37	1	Iraq	\$69,096,064	\$17,179,224,801	CENTCOM

Source: Federal Procurement Data System—Next Generation, January, 2015.

Author Contact Information

Moshe Schwartz
Specialist in Defense Acquisition
mschwartz@crs.loc.gov, 7-1463

John F. Sargent Jr.
Specialist in Science and Technology Policy
jsargent@crs.loc.gov, 7-9147

Wendy Ginsberg
Analyst in American National Government
wginsberg@crs.loc.gov, 7-3933